
ADA COUNTY, IDAHO



Investment Policy

Effective Date:

August 23, 2022

ADA COUNTY
INVESTMENT POLICY

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ADA COUNTY
INVESTMENT POLICY

1. Policy Statement

The purpose of this Investment Policy is to establish investment guidelines for the County Treasurer, who is responsible for the stewardship of the Ada County Investment Program. Each transaction and the entire portfolio must comply with Idaho law and this Policy. All investment program activities will be judged by the standards of the Policy and ranking of Primary Investment Objectives. Those activities that violate its spirit and intent will be deemed to be contrary to the Policy. Should the provisions of the Idaho law change from those contained herein; such provisions will be considered incorporated in this Policy. This Policy shall remain in effect until the effective date of any subsequent version approved by the Board of Ada County Commissioners.

2. Scope of Investment Policy

The Investment Policy of Ada County shall apply to all County Treasury funds overseen by the County Treasurer. Investments shall only be made as permitted under Idaho Code, Sections 57-127, 57-127A, 57-128, 67-1210, and 67-1210A. Investments made pursuant to 67-1210A through the State Treasurer are not subject to the limitations of this investment policy, as it is understood they are managed according to separate policies established by the State Treasurer. In recognition of a rapidly changing and expanding marketplace, new concepts or securities shall be reviewed for compliance and possible consideration. Legality issues shall be resolved with the Prosecuting Attorney's Office.

3. Delegation of Authority

The County Treasurer shall deposit County funds in accordance with Idaho Title 57, Chapter 1, Sections 57-101, et seq. and this Ada County Investment Policy. Idaho Code Section 57-127 empowers the County Treasurer, with approval from the Board of County Commissioners, to invest surplus or idle funds in instruments and investments permitted by Idaho Code Section 67-1210. Further, Idaho Code Section 67-1210A permits the County Treasurer to invest such funds in additional types of instruments and investments if done through the State Treasurer pursuant to a joint exercise of powers agreement. The County Treasurer, or by dual control, staff designated by the Treasurer, may invest County funds in accordance with applicable Idaho law and this Policy. If necessary, a copy of any empowering resolution shall be established.

The Ada County Treasurer, or designated staff selected by the Treasurer, is further permitted to invest in authorized securities with primary or regional dealers, or through an internally managed portfolio using existing custodians. The County Treasurer may also hire one or more outside investment advisors and/or investment managers to assist with the management of County investments. In no event shall investment advisors or investment managers hired by the County Treasurer have discretion or authority to execute investment transactions without prior approval of the Treasurer.

Consistent with Idaho Code Section 57-127A, deposits for safekeeping of any securities in which County funds are invested are to be made with banks or institutions designated by the Board of County Commissioners as depositories pursuant to Idaho Code Section 57-128. The list of public depositories and transactions made by or on behalf of Ada County are public record.

4. Objectives

The primary goals, in priority order, of all investment activities involving the financial assets of Ada County shall be safety, liquidity, and total return:

- Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to manage credit, pre-payment, and interest rate risk, and diversify against unsystematic risk.

- Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity).

- Total Return

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. To accomplish the stated objectives, the investments shall be structured into separate portfolio pools containing the following characteristics:

Investment Portfolio		
Principle Asset Class Characteristics		
Portfolio Pool	Asset Class	Characteristics
Liquidity Pool	Short-term Funds	<ul style="list-style-type: none"> • The role of this pool is to meet the daily liquidity needs of the County Treasury. All daily cash requirements are to be met by assets in this portfolio. • Very short term, high quality, highly liquid securities consistent with Idaho statutory requirements. • The maximum dollar-weighted average portfolio maturity (WAM) not to exceed 90 days.

Investment Pool	Intermediate Funds	<ul style="list-style-type: none"> • The role of this pool is to invest the portion of the assets not needed to meet daily liquidity needs for higher return generation over a full market cycle. • High quality, intermediate to longer term securities consistent with Idaho statutory requirements. • Controlled duration around benchmark (+/- 20% of benchmark duration).
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5. Standard of Care

- Prudent Investor

The County Treasurer or designated staff, to the extent allowed by applicable law, shall invest and manage assets as a prudent investor acting in a like capacity and familiar with such matters would, by considering the purposes, terms, distribution requirements and other market circumstances. In satisfying this standard, reasonable care, skill and caution will be exercised to attain the goals listed in Section 4 and of the Uniform Prudent Investor Act, Idaho Code Title 68, Chapter 5.

- Ethics and Conflict of Interest

The Treasurer and all officers and employees of Ada County involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

6. Risk Tolerance

Risk taking is significantly restricted by the nature of investment types allowed under Idaho Code, and are generally restricted to risks that can be taken in government fixed income securities at time of purchase. Specifically, these risks are primarily limited to interest rate risk, pre-payment risk, and credit risk. Risk tolerance will be further managed by separating the portfolio into a liquidity pool and an investment pool in order to align risk with investment time horizons.

7. Liquidity Pool Investment Guidelines

- Eligible Investments

Due to the short-term nature of the pool, liquidity and quality shall be the principle characteristics of the holdings. The candidate investment vehicles may include the following types of securities according to Idaho Code.

- Bonds, treasury bills, interest-bearing notes, or other obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- General obligation or revenue bonds of this state, or those for which the faith and credit of this state are pledged for the payment of principal and interest.

- General obligation or revenue bonds of any county, city, metropolitan water district, municipal utility district, school district or other taxing district of this state.
- Obligations of U.S. Federal Agency or U.S. government sponsored enterprise (GSE) obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises, including the United States Small Business Administration guaranteed portion of any loan approved by an Idaho banking corporation and by the State Treasurer.
- Bonds, notes or other similar obligations issued by public corporations of the state of Idaho including, but not limited to, the Idaho state building authority, the Idaho housing and finance association and the Idaho water resource board.
- Repurchase agreements covered (collateralized) by any legal investment of the County. Repos executed with a bank organized and operating or licensed to operate in the United States under federal or state law or a securities dealer which is a registered broker/dealer, designated by the Federal Reserve Bank of New York as a primary dealer in United States government securities. Repo transactions shall be limited to maturities of not more than 90 days per transaction. Repo counterparties shall execute a Global Master Repurchase Agreement which has been approved by the Securities Industry and Financial Markets Association (SIFMA). The collateral pledged and delivered for other than overnight investments shall be marked-to-market on a daily basis and maintained, by a custodian bank, at an amount greater than a market value of 102 percent. Repo counterparties must have a rating of A-1 by Standard & Poor's, P-1 by Moody's, and F-1 by Fitch Ratings.
- Tax anticipation notes and registered warrants of the state of Idaho.
- Tax, income, and revenue anticipation bonds or notes of taxing districts of the state of Idaho.
- Interest bearing time deposit or savings accounts in state depositories or state or federal savings and loan associations located within the State of Idaho in amounts not to exceed the FDIC limit. Preference will be given to institutions that are domiciled within the state of Idaho.
- Revenue bonds for institutions of higher education within the state of Idaho.
- Interest bearing share, savings and deposit accounts of state and federal credit unions located within the State of Idaho in amounts not to exceed the insurance provided by the national credit union share insurance fund and/or any other authorized deposit guaranty corporation.
- Money market funds which are registered with the Securities and Exchange Commission, and invest in securities issued by the U.S. Treasury, U.S Agencies (GSE's), or repurchase agreements fully collateralized by such securities. The securities held in money market portfolios must be dollar-denominated, meaning that all principal and interest payments on such a security are payable to security holders in United States dollars.

- Idaho State Local Government Investment Pool (LGIP), through State Treasurer in accordance with Idaho Code Section 67-1210A.
- Duration
The maximum dollar-weighted average portfolio maturity (WAM) not to exceed 90 days.
- Diversification
The Liquidity Pool shall be diversified in order to avoid risks in specific instruments, individual financial institutions or maturities. To the extent that individual securities are purchased (not including pooled investment vehicles such as money market funds or LGIP) the following limits shall be applied:
 - No more than 5% of the pool's market value will be invested in securities of any single issuer, except those which are obligations of, or fully guaranteed as to both principal and interest by, the U.S. government or its agencies.
 - No more than 20% of the pool's market value will be invested in one security type with the exception of U.S. treasury bills, notes, certificates of indebtedness, and U.S. federal agency securities.

8. Investment Pool Investment Guidelines

- Eligible Investments
The candidate investment vehicles may include the following types of securities:
 - All of the eligible investments for the Liquidity Pool listed in Section 7.
 - Idaho Diversified Bond Fund (DBF), through State Treasurer in accordance with Idaho Code Section 67-1210A.
- Duration
The weighted average duration shall not exceed +/-20% of the Investment Pool's benchmark duration.
- Diversification
The Investment Pool shall be diversified in order to avoid risks in specific instruments, individual financial institutions, or maturities. In addition, the following limits shall be applied:
 - No more than 5% of the pool's market value will be invested in securities of any single issuer, except those which are obligations of, or fully guaranteed as to both principal and interest by, the U.S. government or its agencies.
 - No more than 30% of the pool's market value will be invested in one security type (as classified in Section 8) with the exception of U.S. treasury bills, notes, certificates of indebtedness, and U.S. federal agency securities.

9. Management of the Pools

The County Treasurer may engage external investment managers to assist with management of the Liquidity and Investment Pools, in accordance with all applicable laws and regulations. Any such investment managers shall provide actively-managed investment management services and advice to the County Treasurer and perform all asset management functions, but shall not execute any trades or other investment transactions without prior approval of the County Treasurer. Each investment manager retained by the County Treasurer shall be provided a copy of this Ada County Investment Policy and the investment manager will be directed and expected to adhere to all the investment guidelines stated in Sections 7 and 8 above.

All investment managers may be further restricted by Supplemental Policies which articulate further restrictions on permitted holdings, benchmarks and performance expectations as included in investment management services contracts.

10. Prohibited Investment Practices

Assets of Ada County shall not be invested pursuant to the following investment practices:

- Trading of securities for speculation.
- A contract providing for the compensation of an agent or fiduciary based upon the performance of the invested assets.

In addition to the prohibited practices above, if a third party with custody of public transaction records of Ada County fails to produce requested records within a reasonable amount of time, Ada County shall make no new investments with or through the third party.

11. Safekeeping and Custody

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited with a third party custodian prior to the release of funds. The Treasurer shall establish a third party safekeeping or custody account.

12. Investment Policy and Review

This Investment Policy shall be reviewed every two years or more frequently as appropriate.

13. Reporting

The Treasurer's designated staff will prepare a monthly report for the Board of County Commissioners. The reports shall provide a summary of the investments (including yield to maturity and sector/type percentages) and a detail of the investment holdings (including par, book, and market values, S&P ratings, CUSIP, purchase date, maturity date). The report shall also include the activity of the portfolio for the month; to include a listing of securities purchased, sold, called, or matured.

Upon purchase, the Treasurer's designated staff shall record and maintain all investment details listed in this section in the appropriate investment and financial software.

14. Audit and Internal Controls

The Treasurer's Office shall employ internal controls designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees and officers of Ada County.

The custodian/safekeeping account, investment transactions, and records shall be available to the clerk, independent of the Treasurer's Office, and/or by outside independent auditors with a frequency prescribed by the Board of County Commissioners.

15. Performance Evaluation

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles. An appropriate benchmark shall be established against which the portfolio's performance shall be compared on a regular basis.

Ada County Treasurer intends to maintain open communications with the investment managers. The focus of these exchanges shall be on understanding the manager's expectations for the economy and capital markets and how these are reflected in the portfolio. A necessary part of the communication process is the evaluation of the progress of the portfolio and, to this end, investment results shall be reported quarterly to the Treasurer.

It is not anticipated that comparisons with market indices and peer groups shall be favorable in every single quarter or year. It is, however, expected that they will be favorable over a full market cycle. Analysis of performance shall always be within the context of the prevailing investment environment and the investment manager's particular investment style. Specific qualitative factors which will be reviewed by the Treasurer on an ongoing basis include any fundamental changes in the manager's investment philosophy, any changes in the manager's organizational structure, financial condition and personnel, and any change, relative to their peers, in the manager's fee structure.

The performance of the pools, net of management fees and transaction costs, shall be evaluated relative to and be expected to at least equal the following standards:

- Liquidity Pool

The Liquidity Pool will be benchmarked to ICE Bank of America 3-Month US T-Bill Index and is expected to exceed its benchmark, after fees, over a full market cycle.

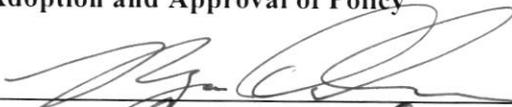
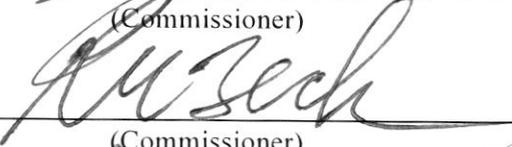
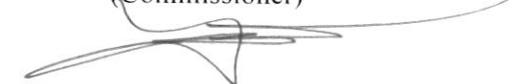
- Investment Pool

The Investment Pool will be benchmarked to a blended mix of 50% Bloomberg US Gov't 1-3 Year Bond Index and 50% Bloomberg US MBS Index and is expected to exceed its benchmark, after fees, over a full market cycle.

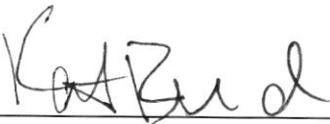
- Total Fund

Total Fund will be benchmarked to a custom index comprised of the primary benchmarks for the underlying investment managers in proportions corresponding to the actual allocations. The actual allocation index will be calculated monthly using beginning of month investment weights applied to each corresponding primary benchmark return. Total Fund is expected to exceed the actual allocation index, after fees, over a full market cycle.

Adoption and Approval of Policy

 _____ (Commissioner)	<u>8/23/22</u> _____ Date
 _____ (Commissioner)	<u>8/23/22</u> _____ Date
 _____ (Commissioner)	<u>8/23/22</u> _____ Date
 _____ (Treasurer)	<u>8/26/22</u> _____ Date

ATTEST:



(Clerk)

by Katie Reed, Assistant Deputy Clerk

Glossary

Annual report - A publication that provides an annual description of an organization's operations and financial conditions.

Annualized - A procedure where figures covering a period of less than one year are extended to cover a 12-month period.

Asset allocation - The process of dividing investments among cash, income and growth buckets to optimize the balance between risk and reward based on investment needs.

Asset class - Securities with similar features. The most common asset classes are stocks, bonds and cash equivalents.

Average maturity - For a bond fund, the average of the stated maturity dates of the debt securities in the portfolio. Also called average weighted maturity. In general, the longer the average maturity, the greater the fund's sensitivity to interest-rate changes, which means greater price fluctuation. A shorter average maturity usually means a less sensitive - and consequently, less volatile - portfolio.

Benchmark - A standard, usually an unmanaged index, used for comparative purposes in assessing performance of a portfolio or mutual fund.

Bond - A bond acts like a loan or an IOU that is issued by a corporation, municipality or the U.S. government. The issuer promises to repay the full amount of the loan on a specific date and pay a specified rate of return for the use of the money to the investor at specific time intervals.

Bond Rate - The percent of interest offered on the purchase of a bond.

Capital - The funds invested in a company on a long-term basis and obtained by issuing preferred or common stock, by retaining a portion of the company's earnings from date of incorporation and by long-term borrowing.

Capitalization - The market value of a company, calculated by multiplying the number of shares outstanding by the price per share.

Cash equivalent - A short-term money-market instrument, such as a Treasury bill or repurchase agreement, of such high liquidity and safety that it is easily converted into cash.

Common stock - Securities that represent ownership in a corporation; must be issued by a corporation.

Corporate bond - A long-term bond issued by a corporation to raise outside capital.

Credit Ratings - Evaluations of the credit quality of bonds usually made by independent rating services. Ratings generally measure the probability of timely repayment of principal and interest on debt securities.

Credit Risk - The risk that a borrower may not repay a loan and that the lender may lose the principal of the loan or the interest associated with it.

Custodian - A bank that holds a mutual fund's assets, settles all portfolio trades and collects most of the valuation data required to calculate a fund's net asset value (NAV).

Delivery vs. Payment - A securities industry settlement procedure in which the buyer's payment for securities is due at the time of delivery.

Discount - refers to a situation when a bond is trading for lower than its par or face value. The discount equals the difference between the price paid for a security and the security's par value.

Diversification - The process of owning different investments that tend to perform well at different times in order to reduce the effects of volatility in a portfolio, and also increase the potential for increasing returns.

Equities - Shares issued by a company which represent ownership in it. Ownership of property, usually in the form of common stocks, as distinguished from fixed-income securities such as bonds or mortgages. Stock funds may vary depending on the fund's investment objective.

Federal Funds Rate (Fed Funds Rate) - The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The most sensitive indicator of the direction of interest rates, since it is set daily by the market, unlike the prime rate and the discount rate, which are periodically changed by banks and by the Federal Reserve Board.

Federal Reserve Board (The Fed) - The governing board of the Federal Reserve System, it regulates the nation's money supply by setting the discount rate, tightening or easing the availability of credit in the economy.

Fixed income fund - A fund or portfolio where bonds are primarily purchased as investments. There is no fixed maturity date and no repayment guarantee.

Fixed income security - A security that pays a set rate of interest on a regular basis.

Fund - A pool of money from a group of investors in order to buy securities. The two major ways funds may be offered are (1) by companies in the securities business (these funds are called mutual funds); and (2) by bank trust departments (these are called collective funds).

Index - An investment index tracks the performance of many investments as a way

of measuring the overall performance of a particular investment type or category. The S&P 500 is widely considered the benchmark for large-stock investors. It tracks the performance of 500 large U.S. company stocks.

Inflation - A rise in the prices of goods and services, often equated with loss of purchasing power.

Interest rate - The fixed amount of money that an issuer agrees to pay the bondholders. It is most often a percentage of the face value of the bond. Interest rates constitute one of the self-regulating mechanisms of the market, falling in response to economic weakness and rising on strength.

Interest-rate risk - The possibility of a reduction in the value of a security, especially a bond, resulting from a rise in interest rates.

Investment advisor - An organization employed by a mutual fund to give professional advice on the fund's investments and asset management practices.

Liquidity - The ability to have ready access to invested money.

Long-term investment strategy - A strategy that looks past the day-to-day fluctuations of the stock and bond markets and responds to fundamental changes in the financial markets or the economy.

Market price - The current price of an asset.

Market risk- Fluctuation in investment markets that create the possibility that an investment will not achieve its target earnings.

Maturity - The date specified in a note or bond on which the debt is due and payable.

Money market mutual fund - A short-term investment that seeks to protect principal and generate income by investing in Treasury bills, CDs with maturities less than one year and other conservative investments.

Mutual fund - Fund operated by an investment company that raises money from shareholders and invests it in stocks, bonds, options, commodities or money market securities.

Par value - Par value is the amount of a bond and the amount that will be repaid at maturity. Bonds are typically sold in multiples of \$1,000.

Portfolio - A collection of investments owned by one organization or individual, and managed as a collective whole with specific investment goals in mind.

Premium - The amount by which a bond or stock sells above its par value.

Sector - A group of similar securities in a specific industry.

Securities - Another name for investments such as stocks or bonds. The name 'securities' comes from the documents that certify an investor's ownership of particular stocks or bonds.

Share - A unit of ownership in an investment, such as a share of a stock or a mutual fund.

Sharpe Ratio - A risk-adjusted measure that measures reward per unit of risk. The higher the Sharpe Ratio, the better. The numerator is the difference between the Fund's annualized return and the annualized return of the risk-free instrument (I-Bills).

Short-term investment - Asset purchased with an investment life of less than a year.

Standard & Poor's Index - Broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks commonly known as the Standard & Poor's 500 or S&P 500.

Rate to maturity - The percent of interest offered on the purchase of a bond (see bond rates)

Rate to Call-An adjusted percent of interest on a bond that is called prior to maturity.

Total return - Accounts for all of the dividends and interest earned before deductions for fees and expenses, in addition to any changes in the value of the principal, including share price, assuming the funds' dividends and capital gains are reinvested. Often, this percentage is presented in a specified period of time (one, five, ten years and/or life of fund). Also, a method of calculating an investment's return that takes share price changes and dividends into account.

Transfer agent - An agent, usually a commercial bank, appointed to monitor records of stocks, bonds and shareholders. A transfer agent keeps a record of the name of each registered shareholder, his or her address, the number of shares owned, and sees that certificates presented for the transfer are properly canceled and new certificates are issued in the name of the new owner.

Treasury bill - Negotiable short-term (one year or less) debt obligations issued by the U.S. government and backed by its full faith and credit.

Treasury bond - Negotiable long-term (10 years or longer) debt obligations issued by the U.S. government and backed by its full faith and credit.

Treasury note - Negotiable medium-term (one year to 10 years) debt obligations issued by the U.S. government and backed by its full faith and credit.

Volatility - The amount and frequency with which an investment fluctuates in value.

Weighted average maturity - A Fund's WAM calculates an average time to maturity of all the securities held in the portfolio, weighted by each security's percentage of net assets. The calculation takes into account the final maturity for a fixed income security and the interest rate reset date for floating rate securities held in the portfolio.

Yield - Annual percentage rate of return on capital. The dividend or interest paid by a company expressed as a percentage of the current price.

Yield to maturity - Concept used to determine the rate of return an investor will receive if a long-term, interest-bearing investment, such as a bond, is held to its maturity date.